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C O N F I D E N T I A L ANKARA 1847

E.O. 11652: GDS

TAGS: EAID EFIN GW TU

SUBJ: VISIT OF WEST GERMAN MINISTER EGON BAHR TO TURKEY

REF: BONN 3549, ANKARA 1813

1. WEST GERMAN ECONOMIC COUNSELOR (DINGENS) MARCH 9 GAVE EMBASSY OFFICERS ADDITIONAL INFORMATION REGARDING VISIT TO ANKARA OF FRG MINISTER OF ECONOMIC COOPERATION EGON BAHR LAST WEEK. DINGENS SAID THE VISIT WAS REASONABLY SUCCESSFUL IN GIVING BAHR AN OPPORTUNITY TO EXPLAIN WEST GERMAN INTEREST IN ECONOMIC COOPERATION WITH TURKEY AND TO OUTLINE GERMAN PRIORITIES AND LIMITATIONS ON WHAT IT CAN DO. THE GERMAN SIDE WANTED TO GET A BETTER IDEA OF TURKEY'S PRIORITIES AND WHERE WEST GERMANY CAN HELP. HOWEVER, THE TURKISH SIDE SHOWED SOME FUZZINESS REGARDING WHAT THEY ARE PREPARED OR WANT TO DO. THE VISIT ALSO HELPED LAY THE GROUNDWORK ON THE ECONOMIC SIDE FOR THE VISIT TO ANKARA BY WEST GERMAN CHANCELLOR SCHMIDT WHICH IS TO TAKE PLACE

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LATE IN MAY. BAHR ALSO HAD A BROAD DISCUSSION FOR

SEVERAL HOURS WITH TURKISH FOREIGN MINISTER CAGLAYANGIL WHICH INCLUDED CYPRUS, GERMANY'S RELATIONS WITH THE EAST AND OTHER INTERNATIONAL ISSUES.

2. AN IMPORTANT SUBJECT DISCUSSED, DINGENS SAID, WAS THE FUTURE STATUS OF TURKEY'S MIGRANT WORKERS IN GERMANY. BAHR EMPHASIZED THAT BOTH COUNTRIES HAD BENEFITED FROM THIS FLOW OF WORKERS IN THE PAST. HOWEVER, THE SITUATION PRESENTS SOCIAL AND EMPLOYMENT PROBLEMS FOR GERMANY. EMPHASIS SHOULD NOW BE PLACED ON PROVIDING JOBS FOR TURKISH WORKERS IN TURKEY. THE FRG SUPPORTS THE ESTABLISHMENT OF WORKER INDUSTRIES IN TURKEY THAT CAN UTILIZE THE SKILLS WHICH MIGRANT WORKERS HAVE ACQUIRED. HOWEVER, THERE ARE A NUMBER OF OBSTACLES IN TURKISH POLICIES AND PROCEDURES WHICH MAKE IT DIFFICULT TO ESTABLISH SUCH INDUSTRIES. THE GOVERNMENT OF TURKEY WANTS TO MAKE USE OF FOREIGN EXCHANGE HELD BY TURKISH WORKERS ABROAD. HOWEVER, TURKISH WORKERS ARE IN FACT HINDERED FROM USING THE FUNDS WHICH THEY HAVE EARNED ABROAD FOR THE IMPORTATION OF EQUIPMENT TO BE USED IN ESTABLISHING SUCH INDUSTRIES (DINGENS SAID THAT GERMAN BANKERS ESTIMATE THAT TURKISH WORKERS HAVE APPROXIMATELY FOUR BILLION DEUTSCHMARKS ON DEPOSIT IN GERMAN BANKS. THIS IS LOWER THAN ESTIMATES MADE RECENTLY BY TURKISH AUTHORITIES WHICH ESTIMATE SUCH DEPOSITS TO BE AS HIGH AS TEN BILLION DEUTSCHMARKS).

3. MINISTER BAHR PLACED CONSIDERABLE EMPHASIS ON THE NEED FOR ACTION BY THE GOVERNMENT OF TURKEY TO ESTABLISH A FAVORABLE CLIMATE FOR FOREIGN INVESTMENT IN TURKEY. TURKISH FINANCE MINISTER ERGENEKON REPLIED THAT LAW 6224 (THE FOREIGN INVESTMENT ENCOURAGEMENT LAW) IS ONE OF THE MOST FAVORABLE IN THE WORLD. BAHR POINTED OUT THAT BUREAUCRATIC OBSTACLES DISCOURAGE POTENTIAL FOREIGN INVESTORS AND MAKE IT DIFFICULT FOR EXISTING FOREIGN INVESTMENTS TO CONTINUE. ERGENEKON SAID THAT THE MINISTRY OF FINANCE IS ESTABLISHING A NEW COMMITTEE WITH REPRESENTATIVES OF OTHER INTERESTED MINISTRIES THAT WILL SEEK TO OVERCOME OBSTACLES TO FOREIGN INVESTMENT.

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4. BAHR HAD MEETINGS WITH OTHER TURKISH MINISTERS WITH ECONOMIC PORTFOLIOS. MINISTER OF INDUSTRY AND TECHNOLOGY DOGRU DESCRIBES RATHER GRANDIOSE IDEAS OF WHAT GOT WANTS TO ACCOMPLISH, BUT WAS SOMEWHAT UNREALISTIC. ONE EXAMPLE MENTIONED BY DINGENS WAS THE TURKISH WISH TO ESTABLISH AN AIRCRAFT INDUSTRY. BAHR POINTED OUT THAT EVEN GERMANY HAD DECIDED THAT IT COULD NOT MAINTAIN AN AIRCRAFT INDUSTRY AS DEMAND FROM ITS MILITARY AND CIVILIAN

NEEDS WAS INSUFFICIENT. THE UK AND FRANCE ALSO HAVE CONSIDERABLE DIFFICULTY IN THIS AREA. HOWEVER, BAHR SAID HE WOULD LEAVE IT TO THE GOT TO DECIDE IF ITS OWN NEEDS WERE SO GREAT AS TO REQUIRE AND TO SUPPORT A DEFENSE AVIATION INDUSTRY. MINISTER OF ENERGY KILIC SEEMS TO BE THE BEST PREPARED WITH REALISTIC NOTIONS OF TURKEY'S NEEDS. HOWEVER, HE INDICATED THAT TURKEY WOULD REQUIRE \$500 MILLION PER YEAR OVER THE NEXT 25 YEARS TO MEET TURKEY'S DEMAND FOR ENERGY DEVELOPMENT. BAHR ALSO MET WITH DEPUTY PRIME MINISTER ERBAKAN (NATIONAL SALVATION PARTY LEADER) TO DISCUSS TURKEY'S REQUIREMENTS FOR HEAVY INDUSTRY. AGAIN, THESE REQUIREMENTS AS PRESENTED WERE NOT REALISTIC.

5. DINGENS DESCRIBED THE SIGNING OF THE DM 132 MILLION DEVELOPMENT LOAN TO TURKEY FOR THE YEAR 1976, DETAILS OF WHICH HAVE BEEN REPORTED IN ANKARA 1813. HE SAID THE ADDITIONAL COMMITMENT OF DM 90 MILLION TO THE AFSIN ELBISTAN PROJECT BRINGS THE TOTAL FRG FINANCING FOR THIS PROJECT TO DM 432 MILLION AND MAKES IT THE LARGEST COMMITMENT THAT THE FRG HAS EVER MADE TO ANY PROJECT. THE FRG IS CONCERNED HOWEVER ABOUT DELAYS IN IMPLEMENTATION OF EARLIER PHASES OF THIS PROJECT AND CONSIDERS IT IMPORTANT THAT THE GOT TAKE STEPS TO MOVE AHEAD RAPIDLY WITH THIS PROJECT. (DINGENS MENTIONED ALSO THAT A PROBLEM REGARDING TARIFFS FOR ELECTRIC POWER TO BE PROVIDED FROM THIS PROJECT HAD COME UP IN A RECENT MEETING OF REPRESENTATIVES OF THE PROJECT CO-FINANCIERS, I.E., IBRD, EUROPEAN INVESTMENT BANK AND GERMAN LENDERS. DINGENS THOUGHT THAT IBRD HAD BEEN REMISS IN NOT FACING THIS ISSUE EARLIER. HE SAID HE BELIEVES THAT THE IBRD WILL PROBABLY AGREE TO DEFER THIS PROBLEM TO A LATER DATE.)

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6. DINGENS SAID THAT THE LIMITED TIME AVAILABLE AND THE FULL SCHEDULE OF MEETINGS DID NOT GIVE MINISTER BAHR AN OPPORTUNITY TO DISCUSS TURKEY'S CURRENT ECONOMIC SITUATION AND BALANCE OF PAYMENTS PROSPECTS. HOWEVER, HE HAD BEEN BRIEFED ON THESE SUBJECTS BEFORE HIS MEETING WITH TURKISH OFFICIALS. ALSO, THERE WAS NO OPPORTUNITY FOR DISCUSSIONS OF SPECIFIC PROBLEMS ENCOUNTERED BY GERMAN FIRMS IN INVESTMENT AND TRADE RELATIONS WITH TURKEY.

7. EMBASSY COMMENT: AFTER BAHR'S DEPARTURE, THE TURKISH PRESS REPORTED THAT IN HIS TALKS WITH DEPUTY PRIME MINISTER ERBAKAN PARTICULAR ATTENTION WAS PAID TO INVESTMENTS IN HEAVY INDUSTRY AND THE POSSIBILITY THAT

TURKEY COULD EXPORT HEAVY INDUSTRIAL PRODUCTS TO MEET
THE REQUIREMENTS OF ISLAMIC COUNTRIES IN PARTICULAR.
THE PRESS REPORTED THAT IT WAS MUTUALLY AGREED THAT
THIS MATTER SHOULD FIRST OF ALL BE DISCUSSED AND AGREED
UPON BY THE COUNTRIES CONCERNED.
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